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8 **UNITED STATES DISTRICT COURT**
 9 **NORTHERN DISTRICT OF CALIFORNIA**

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12	SECURITIES AND EXCHANGE COMMISSION,)	Civil Action No. C-06-6966-SI
13	Plaintiff,)	(Related to Case Nos. C-07- 2507-SI, C-07-2508-SI and C-07-2509-SI)
14	vs.)	
15	VIPER CAPITAL MANAGEMENT, LLC, COMPASS CAPITAL MANAGEMENT, LLC, and EDWARD SEWON EHEE,)	PLAINTIFF SECURITIES AND EXCHANGE COMMISSION'S NOTIFICATION OF HEARING DATE AND BRIEFING SCHEDULE FOR MOTION TO WITHDRAW BANKRUPTCY REFERENCE
16)	
17	Defendants,)	
18	and)	
19	COMPASS WEST FUND, LP, VIPER FOUNDERS FUND, LP, VIPER INVESTMENTS, ALBERT EHEE, ROBERT EHEE and JENNIFER EHEE,)	Date: June 22, 2007 Time: 9:00 a.m. Judge: Susan Illston Courtroom: 10
20)	
21	Relief Defendants.)	
22)	

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1 **NOTIFICATION OF HEARING DATE AND BRIEFING SCHEDULE**

2 In accordance with the Court's instructions, plaintiff Securities and Exchange
3 Commission ("Commission") hereby notifies all parties and recipients that the Court in the
4 *Securities and Exchange Commission v. Viper Capital Management, LLC, et al.*, Case No. C-06-
5 6966-SI, proceeding (the "SEC Enforcement Action") has set the following hearing and briefing
6 dates in the Commission's motion to withdraw the reference to bankruptcy court (Case Nos. C-07-
7 2507-SI, C-07-2508-SI and C-07-2509-SI), to be heard in Courtroom 10 of Judge Susan Illston,
8 located in the Phillip Burton Federal Building, 450 Golden Gate Avenue, Nineteenth Floor, San
9 Francisco, CA 94104:

10 *Motion Hearing.* Friday, June 22, 2007. at 9:00 a.m.

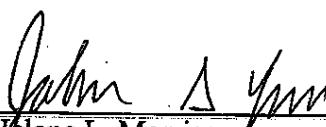
11 *Opposition Papers Due Date.* Wednesday, June 6, 2007

12 *Reply Papers Due Date.* Friday, June 15, 2007

13 *Potential Case Management Conference.* Either following the Motion
14 Hearing or at 2:00 p.m. on Friday, June 22, 2007

15 Another copy of the Commission's motion to withdraw reference papers is attached
16 to this Notification as Exhibit 1. All opposition and reply papers should be filed with the Court in
17 the *SEC Enforcement Action*, but should also refer on the captions page to the case numbers for the
18 withdrawal proceedings.

19 DATED: May 29, 2007

20 
21 Helane L. Morrison
22 John S. Yun
23 X. Carlos Vasquez
24 Attorneys for Plaintiff
25 SECURITIES AND EXCHANGE COMMISSION

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8 UNITED STATES DISTRICT COURT
 9 NORTHERN DISTRICT OF CALIFORNIA
 10 SAN FRANCISCO DIVISION

11
 12 SECURITIES AND EXCHANGE COMMISSION,
 13 Plaintiff,
 14 vs.
 15 EDWARD SEWON EHEE,
 16 Defendant.

Civil Action No.
 C-06-6966-SI
 (Related to Case Nos.
 C 07-02507 SI
 C-07-02508 SI
 C 07-02509 SI)

17 CERTIFICATE OF SERVICE

18 I, Janet L. Johnston, am a citizen of the United States, over 18 years of age and not a party to
 19 this action. On May 29, 2007, I served the following documents:
 20

21 PLAINTIFF SECURITIES AND EXCHANGE COMMISSION'S
 22 NOTIFICATION OF HEARING DATE AND BRIEFING SCHEDULE FOR
 MOTION TO WITHDRAW BANKRUPTCY REFERENCE

1 I served true and correct copies via U.S. MAIL addressed to the following:

2 Ismail Ramsey, Esq.

3 Ramsey & Ehrlich LLP

4 803 Hearst Ave.

5 Berkeley, CA 94710

6 Attorney for Defendants Viper Capital Management, LLC,

7 Compass Fund Management, LLC, and Edward Sewon Ehee and

8 Relief Defendants Compass West Fund, LP, Viper Founders Fund, LP and Viper Investments,

9 L.P.

10 Albert Ehee

11 8449 Canterbury Dr.

12 Burr Ridge , IL 60527

13 Pro se relief defendant

14 Jennifer Ehee

15 6122 Acacia Ave.

16 Oakland, CA 94618

17 Pro se relief defendant

18 Thomas B. Mayhew

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20 235 Montgomery St., 30th Floor

21 San Francisco, Ca 94104

22 Attorney for Relief Defendant Robert Ehee

23 Arthur Greenspan, Esq.

24 Richards, Kibbe & Orbe LLP

25 One World Financial Center

26 New York, NY 10281

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28 James D. Wood

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16 Office of the U.S. Trustee
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36 USBC Manager
37 United States Bankruptcy Court
38 1300 Clay Street
39 P.O. Box 2070
40 Oakland, CA 94612-2070

1
2 Judge Leslie Tchaikovsky
3 United States Bankruptcy Court
4 1300 Clay Street
P.O. Box 2070
Oakland, CA 94612-2070

5 I declare under penalty of perjury that the foregoing is true and correct.

6 Executed at San Francisco, California on May 29, 2007.

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8 
9 Janet L. Johnston

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8 UNITED STATES DISTRICT COURT
 9 NORTHERN DISTRICT OF CALIFORNIA

10
 11 SECURITIES AND EXCHANGE COMMISSION,

12 Movant,

13 v.

14 EDWARD SEWON EHEE, COMPASS FUND
 15 MANAGEMENT, LLC, and COMPASS WEST
 FUND LP,

16 Debtors

Case No.

SECURITIES AND EXCHANGE
 COMMISSION'S MOTION TO
 WITHDRAW THE REFERENCE OF THE
 BANKRUPTCY CASES OF EDWARD
 SEWON EHEE, COMPASS FUND
 MANAGEMENT, LLC AND COMPASS
 WEST FUND, L.P.; MEMORANDUM OF
 POINTS AND AUTHORITIES

17 28 U.S.C. § 157(d)
 18 Local Rule 5011-2

19 Hearing Date: TBD

20 In re

21 EDWARD SEWON EHEE,

22 Debtor

Case No. 07-40126T

(Involuntary Chapter 7)

23
 24 In re

25 COMPASS FUND MANAGEMENT, LLC,

26 Debtor

Case No. 07-40129

(Involuntary Chapter 7)

1
2 In re

3 COMPASS WEST FUND, L.P.,

4 Debtor

Case No. 07-40130

(Involuntary Chapter 7)

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1 TO ALL PARTIES AND THEIR COUNSEL OF RECORD:

2 MOTION

3 The Securities and Exchange Commission ("Commission") hereby requests that the
 4 district court withdraw the reference of the three above-captioned bankruptcy cases on the
 5 grounds that (1) consideration of the issues in these cases will require consideration of both title
 6 11 and other laws of the United States regulating organizations or activities affecting interstate
 7 commerce, already being considered by the Honorable Susan Illston in *SEC v. Viper Capital*
 8 *Management, LLC, et al.*, Case No. C 06-6966 SI (N.D. Cal. (San Francisco Division)), as to
 9 which the Commission has filed concurrently herewith a Notice of Pendency of Other Action or
 10 Proceeding; and (2) for cause, including issues of judicial economy, as more particularly set
 11 forth in the accompanying memorandum of points and authorities.

12 Wherefore, the Commission hereby requests that the reference to the bankruptcy court
 13 of *In the Matter of Edward Sewon Ehee*, Case No. 07-40126T (N.D. Cal.), *In the Matter of*
 14 *Compass Fund Management, LLC*, Case No. 07-40129 (N.D. Cal.), and *In the Matter of*
 15 *Compass West Fund, L.P.*, Case No. 07-40130 (N.D. Cal.) be withdrawn, and that these matters
 16 be assigned to the Honorable Susan Illston.

17 Dated: April 30, 2007

Respectfully submitted,

20 Helane L Morrison
 21 John S. Yun
 22 Robert S. Leach
 23 Xavier Carlos Vasquez
 24 Attorneys for Plaintiff
 25 SECURITIES AND EXCHANGE COMMISSION
 26
 27
 28

INTRODUCTION

The Securities and Exchange Commission (“Commission”) submits this memorandum in support of its motion to withdraw the reference of the bankruptcy cases filed for Edward Sewon Ehee (“Ehee”), Compass Fund Management, LLC (“Compass Management”), and Compass West Fund LP (“Compass West”) (collectively, the “Ehee Defendants”) and assign those actions to the Honorable Judge Susan Illston. Two related matters involving these parties are currently before Judge Illston now. On November 8, 2006, the Commission filed an action against Ehee, Compass Management and Compass West (as a relief defendant), among others, alleging violations of the federal securities laws. *SEC v. Viper Capital Management, LLC, et al.*, Case No. C 06-6966 SI (N.D. Cal.) (the “SEC Action”). At that time, Judge Illston granted the Commission’s motion for a temporary restraining order, enjoined the Ehee Defendants from further securities law violations, and froze their assets. On November 22, 2006, one of Ehee’s investors, AAG Roosevelt Fund, L.P. (“AAG”) filed a complaint against Ehee and his management companies alleging violations of the federal securities laws and other state law claims. *AAG Roosevelt Fund, L.P. v. Edward Sewon Ehee, et al.*, Case No. C-06-7270 SI (N.D. Cal.) (the “AAG Action”). Both actions are now before Judge Illston.

Over two months after the SEC filed its action, AAG filed involuntary Chapter 7 bankruptcy petitions against each of the three Ehee Defendants. *In the Matter of Edward Sewon Ehee*, Case No. 07-40126T (N.D. Cal.); *In the Matter of Compass Fund Management, LLC*, Case No. 07-40129 (N.D. Cal.); *In the Matter of Compass West Fund, L.P.*, Case No. 07-40130 (N.D. Cal.). The involuntary bankruptcy actions against the Ehee Defendants threaten to interfere with the district court's pre-existing and well-publicized asset freeze order over those parties, undermine the proper distribution of funds to investors, and waste the remaining assets of the Ehee Defendants' estates. Accordingly, the Commission respectfully requests that this motion be assigned to Judge Illston, that the district court withdraw the reference of the Ehee Defendants' bankruptcy actions to the bankruptcy court, and that the bankruptcy actions be assigned to Judge Illston's chambers where they can be dismissed or coordinated with the other two, pre-existing actions involving the Ehee Defendants. The Commission has filed its Notice of Pendency of Other Action or Proceeding concurrently herewith.

1 I. STATEMENT OF FACTS

2 A. Defendants

3 On November 8, 2006, the Commission filed an action against the Ehee Defendants seeking a
 4 temporary restraining order prohibiting further securities law violations and an order freezing the
 5 Ehee Defendants' assets so that they could be preserved for distribution to investors. *SEC v. Viper*
 6 *Capital Management, LLC, et al.*, Case No. C 06-6966 SI (N.D. Cal.). In the SEC Action, the
 7 Commission alleged in its complaint that Ehee and the two investment management funds he
 8 operates misled investors about their investments by, among other things, issuing false and
 9 misleading performance results, fraudulent monthly account statements, and phony fund audit
 10 reports. Ehee then converted investor funds to personal use or used them to pay off earlier investors
 11 as is typical in a "Ponzi" scheme.

12 On November 8, 2006, the district court in the SEC Action granted the Commission's request
 13 for a temporary restraining order, enjoined defendants from further securities law violations, and
 14 froze their assets. Section IV of the temporary restraining order specifically addressed the sale of
 15 defendant Ehee's real property: it provided a mechanism for sale of such property and further
 16 provided that proceeds from any sale be delivered to the district court's registry. Shortly thereafter,
 17 the parties stipulated to a preliminary injunction order, and on November 22, 2006, the district court
 18 entered the order (the "Preliminary Injunction Order"), which, among other things, contained the
 19 same provision for the freeze of assets and sale of real property as the temporary restraining order.
 20 Thus, the district court in the SEC Action has exercised jurisdiction over Ehee's real property,
 21 including the proceeds of any sale thereon, along with any bank or brokerage accounts. Ehee has
 22 proposed selling his house and using the proceeds to partially compensate investors in this action.

23 On November 22, 2006, one of Ehee's investors, AAG Roosevelt Fund, L.P. ("AAG"), a
 24 hedge fund managed by an investment adviser in Marin County, filed a complaint against Ehee and
 25 his management companies alleging violations of the federal securities laws and other state law
 26 claims. *AAG Roosevelt Fund, L.P. v. Edward Sewon Ehee, et al.*, Case No. C-06-7270 (N.D. Cal.).
 27 The factual basis for the AAG complaint was largely derivative of the SEC action. On January 9,
 28 2007, Judge Illston ordered the AAG Action assigned to her courtroom.

1 On January 12, 2007, over two months after the Commission filed its action, AAG filed
 2 Chapter 7 involuntary petitions against Ehee, Compass Management and Compass Fund. *See In the*
 3 *Matter of Edward Sewon Ehee*, Case No. 07-40126T (N.D. Cal.); *In the Matter of Compass Fund*
 4 *Management, LLC*, Case No. 07-40129 (N.D. Cal.); *In the Matter of Compass West Fund, L.P.*, Case
 5 No. 07-40130 (N.D. Cal.).¹ Although AAG's involuntary petition referenced the SEC and AAG
 6 Actions, AAG did not advise the bankruptcy court of the asset freeze in the Preliminary Injunction
 7 Order in the SEC Action. Ehee is contesting the involuntary bankruptcy petition. Compass
 8 Management and Compass West appear defunct. Ehee's sole asset appears to be his house and only
 9 two creditors have appeared in his bankruptcy action that are not investors (one is a mortgage
 10 company).

11 AAG's counsel has represented that AAG's purpose in filing the bankruptcy petitions was to
 12 have a bankruptcy trustee appointed to sue other investors and seek the return of any investment
 13 funds they received from the Ehee Defendants. (Vasquez Decl. ¶ 6.) To date, however, AAG has
 14 provided no evidence of a sound basis for its theory that investors received funds in bad faith. AAG
 15 proposes to use the proceeds from the sale of Ehee's house to fund the proposed litigation against the
 16 other investors. Accordingly, the bankruptcy action has the distinct possibility of wasting the one
 17 viable asset that may be used to compensate investors – an asset over which the district court in the
 18 SEC Action has already asserted jurisdiction.

19 **II. ARGUMENT**

20 District courts have original jurisdiction over bankruptcy cases and proceedings. 28 U.S.C.
 21 § 1334(a). District courts, however, may refer bankruptcy actions and proceedings to bankruptcy
 22 court:

23
 24 ¹ The automatic stay provisions of the bankruptcy code do not apply to the SEC Action because it
 25 was brought by a government agency. *See* 11 U.S.C. § 362(b)(4). Nevertheless, AAG's counsel has
 26 asserted that the SEC Action is stayed and that Ehee's house is an asset exclusively within the
 27 jurisdiction of the bankruptcy court. (Declaration of Xavier Carlos Vasquez In Support of Securities
 28 and Exchange Commission's Memorandum of Points and Authorities in Support of Motion to
 Withdraw the Reference of the Bankruptcy Cases of Edward Sewon Ehee, Compass Fund
 Management, LLC, and Compass Fund West, LP ("Vasquez Decl.") ¶ 5.)

1 Each district may provide that any or all cases under Title 11 and any
 2 or all proceedings arising under Title 11 or arising in or related to a
 3 case under Title 11 shall be referred to the bankruptcy judges for the
 4 district.

5 28 U.S.C. § 157(a). Like most districts courts, the District Court for the Northern District of
 6 California has referred all bankruptcy cases and proceedings to the Northern District Bankruptcy
 7 Court. N.D. Cal. General Order No. 24, Part 1.01.

8 Although a district court may refer a bankruptcy case or proceeding to bankruptcy court, it
 9 may likewise withdraw that reference in whole or in part under 28 U.S.C. § 157(d):

10 The district court may withdraw, in whole or in part, any case or
 11 proceeding referred under this section [to the bankruptcy court], on its
 12 own motion or on timely motion of any party, for cause shown. The
 13 district court, shall, on a timely motion of a party, so withdraw a
 14 proceeding if the court determines that resolution of the proceeding
 15 requires consideration of both title 11 and other laws of the United
 16 States regulating organizations or activities affecting interstate
 17 commerce.

18 Accordingly, withdrawal of the reference is mandatory if the district court determines that resolution
 19 of the bankruptcy action requires consideration of both the Bankruptcy Code and other federal laws.
 20 Otherwise, withdrawal is permissive if good cause is shown.

21 For the reasons discussed below, Section 157(d) mandates withdrawal of the reference of the
 22 Ehee Defendants' involuntary bankruptcy actions, because resolution of the claims will involve
 23 consideration of the district court's asset freeze order in the SEC action and the federal securities
 24 laws. Alternatively, good cause exists to permit the Court to withdraw the references.

25 A. **Withdrawal of the Reference Is Mandatory**

26 Section 157(d) provides that a district court "shall" withdraw the reference to the bankruptcy
 27 court when the resolution of the bankruptcy case would require consideration of both the bankruptcy
 28 code and other federal laws. The Ninth Circuit has instructed that withdrawal is mandatory "in cases

1 requiring material consideration of non-bankruptcy federal law." *Security Farms v. Int'l Bhd of*
 2 *Teamsters*, 124 F.3d 999, 1007 (9th Cir. 1997). Where bankruptcy proceedings implicate the federal
 3 securities laws, district courts generally have granted withdrawal motions. *See, e.g., In re*
 4 *Contemporary Lithographers, Inc.*, 127 B.R. 122, 127 (M.D.N.C. 1991); *In re American Solar King*
 5 *Corp.*, 92 B.R. 207, 210-11 (W.D. Tex. 1988); *Price v. Craddock*, 85 B.R. 570, 573 (D. Colo. 1988).
 6 Withdrawal is mandatory in this case because the district court has asserted jurisdiction over Ehee's
 7 real property and because any claims against shareholders for disgorgement of earlier distributions
 8 would foreseeably involve application of the federal securities laws.

9 Withdrawal has been found mandatory where the court must determine application of the
 10 automatic stay provisions of the Bankruptcy Code to a government enforcement proceeding. *See In*
 11 *re Chateaugay Corp.*, 86 B.R. 33, 37 (S.D.N.Y. 1987). AAG's counsel has asserted that the
 12 automatic stay provisions of the Bankruptcy Code stay the SEC Action, even going so far as to argue
 13 that the parties in that action were prohibited from participating in a court-ordered settlement
 14 conference. (Vasquez Decl. ¶ 5.) As a matter of law, AAG is wrong. *See* 11 U.S.C. 362(b)(4)
 15 (exemption from stay actions by government agencies to enforce the agency's police or regulatory
 16 power); *SEC v. Bilzerian*, 131 F. Supp. 2d 10 (D.D.C. 2001) (holding SEC action not stayed by
 17 bankruptcy code). Although the Commission believes AAG's position is without merit, that decision
 18 is one that should be determined by a district court rather than a bankruptcy court.

19 Withdrawal also has been held mandatory where, as here, proper distribution of proceeds
 20 requires consideration of both bankruptcy law and the federal securities laws. *See In re Daisy*
 21 *Systems Sec. Litig.*, 132 B.R. 752, 756 (N.D. Cal. 1991). The Commission would propose
 22 distributing any disgorgement ordered in the SEC Action to the Ehee Defendants' investors in an
 23 equitable manner as developed by case law interpreting the federal securities laws. Many of the
 24 creditors in the Ehee Defendants' bankruptcy actions will likely also be investors, who would receive
 25 distributions under a potentially conflicting system of distribution provided for in the bankruptcy
 26 code. Any proper distribution would therefore require reconciliation of the competing systems to
 27 ensure just and equitable distribution of funds to investors.

28

1 AAG's proposed fraudulent conveyance litigation also would necessarily implicate the federal
 2 securities law. As the Commission staff understands it, AAG proposes that a Chapter 7 trustee
 3 litigate against investors who may have received partial or complete returns on their investments
 4 from Ehee under a "fraudulent conveyance" theory. AAG would be required to show that Ehee acted
 5 in bad faith when he returned the investments (presumably by showing he was aware he was
 6 operating a Ponzi scheme). And such investors would not be required to return any funds in excess
 7 of their invested principal if they can prove they accepted the funds in good faith (for example,
 8 pursuant to an investment contract and without any knowledge of the scheme). *See Hayes v. Palm
 9 Seedlings Partners*, 916 F.2d 528, 534-36 (9th Cir. 1990). These determinations would necessarily
 10 implicate the Ehee Defendants' fraudulent intentions, the investors' reasons for investing, statements
 11 made to the investors and whether they believed them, the source of funds used to pay investors, what
 12 the investor understood concerning repayment, and any information the investor may have had
 13 concerning whether the Ehee Defendants were operating a fraudulent scheme. Each of these
 14 determinations is necessarily entwined with the SEC Action and the federal securities laws.

15 Accordingly, the bankruptcy action will require material consideration of the federal securities laws.

16 **B. Permissive Withdrawal of the Reference Is Appropriate**

17 Even if withdrawal of the reference is not mandatory, this Court is still permitted to, and
 18 should, withdraw the reference. Section 157(d) permits the Court to withdraw the reference for cause
 19 shown. The Ninth Circuit has held that in determining whether cause exists, the district court should
 20 consider "the efficient use of judicial resources, delay and costs to the parties, uniformity of
 21 bankruptcy administration, the prevention of forum shopping, and other related factors." *Security
 22 Farms*, 124 F.3d at 1008. These factors warrant permissive withdrawal.

23 **1. Efficient Use of Judicial Resources**

24 As discussed above, there is substantial overlap between the bankruptcy action and this action
 25 such that withdrawal of the reference will promote judicial economy. *See In re Wedtech Corp.*, 81
 26 B.R. 237, 239 (S.D.N.Y. 1987) (holding when bankruptcy action involves common issues of law and
 27 fact with the case pending in district court, "the overlapping of facts, transactions and issues in the
 28 two cases . . . is good cause for withdrawal of the reference and consolidation with the district court

1 proceeding.”) Both courts may need to determine jurisdiction over Ehee’s real property, whether he
 2 acted fraudulently, whether investors were misled, any costs to be assessed against Ehee’s assets, and
 3 how to distribute funds to investors. Withdrawal is thus appropriate. *See, e.g., In re First Alliance*
 4 *Mortg. Co.*, 282 B.R. 894, 902 (C.D. Cal. 2001) (withdrawing bankruptcy proceeding in part because
 5 issues concerning debtor’s lending practices were already to be determined by district court in FTC’s
 6 substantive action); *Big Rivers Elec. Corp. v. Green River Coal Co., Inc.*, 182 B.R. 751, 756 (W.D.
 7 Ky. 1995) (holding “[p]reservation of judicial resources . . . mandates” withdrawal of the reference in
 8 part with district court will “have clear command over the same core of facts relevant to both
 9 proceedings”).

10 Moreover, withdrawal is proper because it is possible that the two courts will order separate,
 11 inconsistent plans for distribution of the Ehee Defendants’ assets. *See Congress Credit Corp v. AJC*
 12 *Int’l Inc.*, 42 F.3d 686, 690 (1st Cir. 1994) (holding that where actions have similar facts, rather than
 13 invite “divide and conquer strategy,” bankruptcy action should be moved to district court pursuant to
 14 Section 157(d) so the claims can be resolved “without the distraction of conceivable double or
 15 conflicting recoveries in different courts”).

16 2. Delay and Costs to the Parties

17 The SEC Action was filed over two months before the involuntary bankruptcy actions were
 18 filed and is further along than the bankruptcy actions. Assigning the bankruptcy actions to the same
 19 Court with the SEC and AAG Actions will not delay any of those actions or add additional costs to
 20 the parties. To the contrary, it may reduce costs by reducing overlapping motions on the same issues.

21 3. Uniformity of Administration

22 The uniformity of bankruptcy administration will be assisted by having one court decide
 23 whether the asset freeze applies to this action and whether Ehee’s real property is subject to the
 24 jurisdiction of this court. Those questions also properly belong before the District Court.

25 4. Preventing Forum Shopping

26 AAG apparently filed the involuntary bankruptcy proceedings to make an end run around this
 27 Court’s asset freeze order and use the proceeds from the sale of Ehee’s house to fund unsubstantiated
 28 claims against other investors. AAG has already filed a separate action against Ehee, which is now

1 before the same court as the SEC action, and could use that action to seek discovery against other
2 investors. Rather than incur that cost, AAG seeks to use the bankruptcy court to jeopardize Ehee's
3 one viable asset for AAG's own purposes rather than preserve it for all investors. Withdrawal is
4 appropriate to discourage such blatant forum shopping. *See Wechsler v. Squadron, Ellenoff, Plesent*
5 & *Sheinfeld LLP*, 201 B.R. 635, 641 (S.D.N.Y. 1996) (holding withdrawal appropriate whether
6 bankruptcy action filed to avoid district court decisions).

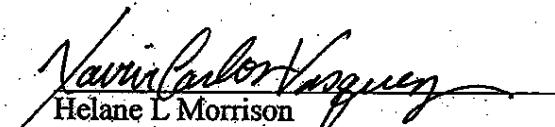
7 Accordingly, for the reasons discussed above, both mandatory and permissive withdrawals of
8 the references are appropriate.

9 **III. CONCLUSION**

10 For the foregoing reasons, the Commission respectfully request that this Court withdraw the
11 references for the Ehee Defendant's bankruptcy actions and assign those actions to this Court.

12 Dated: April 30, 2007

Respectfully submitted,



14 Helane L. Morrison
15 John S. Yun
16 Robert S. Leach
17 Xavier Carlos Vasquez
18 Attorneys for Plaintiff
19 SECURITIES AND EXCHANGE COMMISSION

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ORIGINAL FILED

APR 30 2007

BANKRUPTCY COURT
OAKLAND, CALIFORNIA

COPY

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UNITED STATES DISTRICT COURT
 NORTHERN DISTRICT OF CALIFORNIA

SECURITIES AND EXCHANGE COMMISSION,

Movant,

v.

EDWARD SEWON EHEE, COMPASS FUND MANAGEMENT, LLC, and COMPASS WEST FUND LP,

Debtors

Case No.

DECLARATION OF XAVIER CARLOS VASQUEZ IN SUPPORT OF SECURITIES AND EXCHANGE COMMISSION'S MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT OF MOTION TO WITHDRAW THE REFERENCE OF THE BANKRUPTCY CASES OF EDWARD SEWON EHEE, COMPASS FUND MANAGEMENT, LLC AND COMPASS WEST FUND, L.P.

28 U.S.C. § 157(d)
 Local Rule 5011-2

Hearing Date: TBD

In re

EDWARD SEWON EHEE,

Debtor

Case No. 07-40126T

(Involuntary Chapter 7)

In re

COMPASS FUND MANAGEMENT, LLC,

Debtor

Case No. 07-40129

(Involuntary Chapter 7)

1 In re
 2 COMPASS WEST FUND, L.P.,
 3 Debtor

Case No. 07-40130
 (Involuntary Chapter 7)

5 I, XAVIER CARLOS VASQUEZ, DECLARE:

6 1. I am an attorney duly admitted to practice in the State of California, and a staff
 7 attorney in the San Francisco District Office of the Securities and Exchange Commission
 8 ("Commission").

9 2. On November 8, 2006, the Commission filed an action against Edward Sewon
 10 Ehee ("Ehee"), Compass Fund Management, LLC ("Compass Management"), and Compass West
 11 Fund LP ("Compass West") (collectively, the "Ehee Defendants"), among others, alleging violations
 12 of the federal securities laws. *SEC v. Viper Capital Management, LLC, et al.*, Case No. C 06-6966 SI
 13 (N.D. Cal.) (the "SEC Action"). At that time, Judge Illston granted the Commission's motion for a
 14 temporary restraining order, enjoined the Ehee Defendants from further securities law violations, and
 15 froze the Ehee Defendants' assets. I am one of the attorneys with primary responsibility for the
 16 Commission's litigation in this matter.

17 3. According to publicly available court records, on November 22, 2006, one of
 18 Ehee's investors, AAG Roosevelt Fund, L.P. ("AAG"), filed a complaint against Ehee and his
 19 management companies alleging violations of the federal securities laws and other state law claims.
 20 *AAG Roosevelt Fund, L.P. v. Edward Sewon Ehee, et al.*, Case No. C-06-7270 SI (N.D. Cal.) (the
 21 "AAG Action"). Both the SEC Action and the AAG Action are now before Judge Illston.

22 4. According to publicly available court records, on January 12, 2007, over two
 23 months after the Commission filed its action, AAG filed Chapter 7 involuntary petitions against
 24 Ehee, Compass Management and Compass Fund. See *In the Matter of Edward Sewon Ehee*, Case
 25 No. 07-40126T (N.D. Cal.); *In the Matter of Compass Fund Management, LLC*, Case No. 07-40129
 26 (N.D. Cal.); *In the Matter of Compass West Fund, L.P.*, Case No. 07-40130 (N.D. Cal.). Counsel for
 27 AAG in that matter is Richard Pedone from the Boston office of Nixon Peabody LLP.

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5. Between mid-March 2007 and mid-April 2007, I have had a number of telephone conferences with Mr. Pedone concerning the SEC action and the involuntary bankruptcy actions filed by AAG against Ehee, Compass Management and Compass West. During the course of those conversations, Mr. Pedone indicated that he believed the SEC Action was stayed by the filing of the bankruptcy actions and that Ehee's house was within the exclusive jurisdiction of the bankruptcy court. Mr. Pedone also asserted that a court-ordered settlement conference in the SEC action was stayed by the filing of the bankruptcy actions.

6. Mr. Pedone further indicated to me that he intended to seek the appointment of a bankruptcy trustee in the bankruptcy actions and was considering asking that trustee to investigate potential claims against other investors of the Ehee Defendants to determine whether investment funds returned to those investors could be returned to the bankruptcy estates under a "fraudulent conveyance" theory. Although I asked Mr. Pedone for evidence to support a theory that such investors accepted funds from the Ehee Defendants in bad faith, he was unable to provide such evidence.

Executed this 30th day of April, 2007, in San Francisco, California.

Xavier Carlos Vasquez
Xavier Carlos Vasquez

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APR 30 2007

BANKRUPTCY COURT
OAKLAND, CALIFORNIA